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ABSTRACT

Twelve lesson plans on economics of marketing are presented in this performance-based curriculum unit for distributive education. This unit is self-contained and consists of the following components: introduction (provides overview of unit content and describes why mastery of the objectives is important); performance objectives; and unit outline (table of contents, time required for the unit, and materials and resources needed). Lesson plans generally include student information sheets, assignment sheets, and teacher materials (e.g., transparency masters). Lesson plan topics include marketing concepts, key distribution activities, industrial and consumer markets, market segmentation, channels of distribution, types of distributive businesses, and consumer psychology. The unit also contains a post-assessment with answer key related to the enabling objectives and a unit evaluation (student develops a marketing strategy). (JH)

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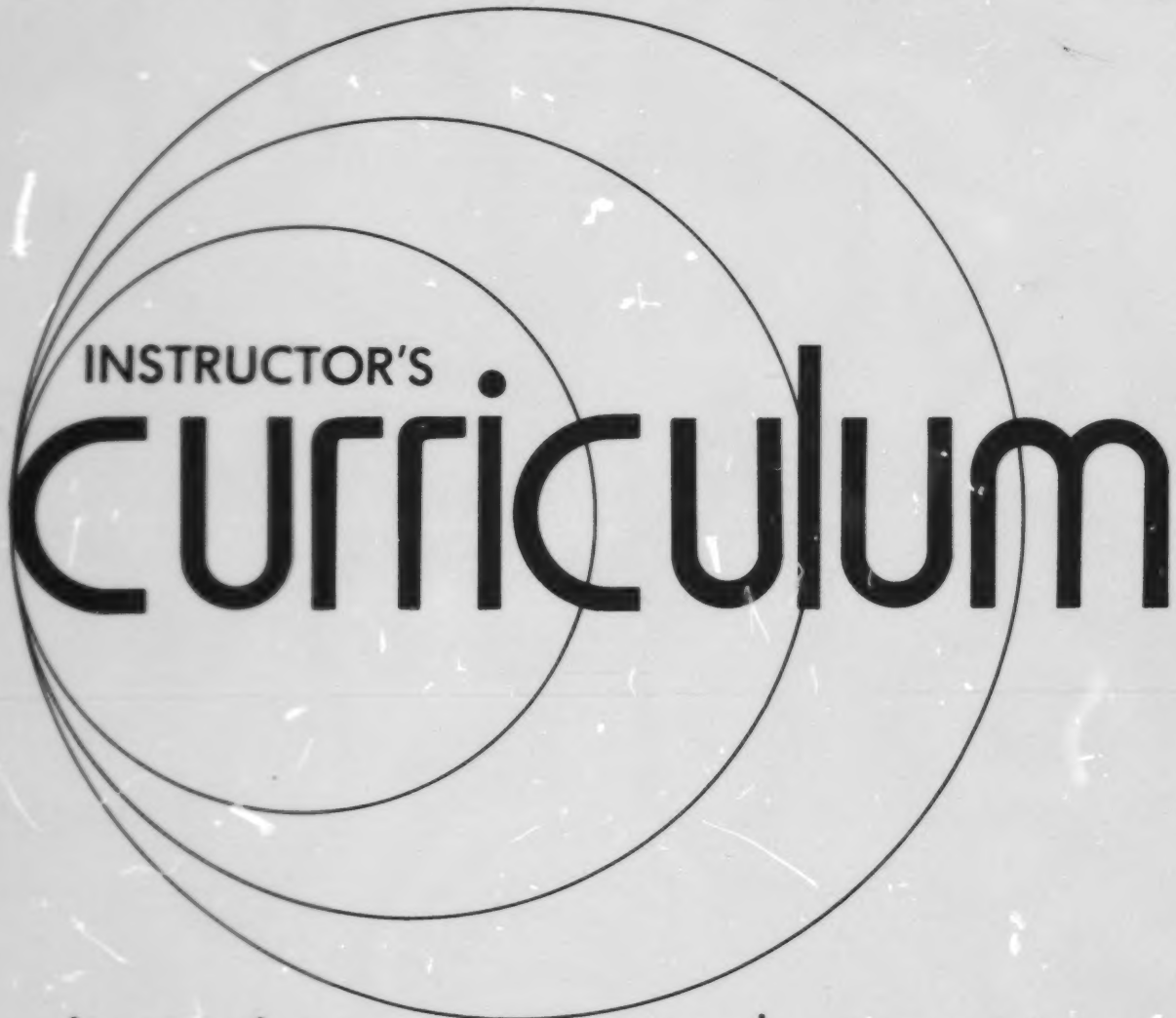
Economics of Marketing



INSTRUCTOR'S

curriculum

distributive education

CE 018 659

PRACTICAL ARTS
AND
VOCATIONAL-TECHNICAL
EDUCATION

IMI

INSTRUCTIONAL MATERIALS LABORATORY
UNIVERSITY OF MISSOURI-COLUMBIA

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ECONOMICS OF MARKETING

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LESSON PLAN FORMAT

Introduction and Objectives	Blue
Unit Outline	White
Pre Assessment	Buff
Pre Assessment Key	Grey
Lesson Plans	Yellow
Information Sheets	Pink
Assignment Sheets	Green
Transparency Masters	White
Key and Answer Sheets	Grey
Teacher Reference Sheets	Blue
Optional Activities and Bibliography	White
Post Assessment	Buff
Post Assessment Key	Grey
Unit Evaluation	Buff

FOREWORD

The Missouri Distributive Education Curriculum is a performance-based curriculum for distributive education throughout the state of Missouri. This curriculum system is composed of twenty units, ten designed for use in junior preparatory classes, and ten for senior cooperative distributive education classes. All units were written by teams of distributive education teacher-coordinators. Performance objectives and content of the units were validated by advisory committees composed of persons in business, during the field-tests conducted by distributive education teacher-coordinators in their classrooms. The units were then corrected, improved and made ready for final printing.

Each unit is self-contained, which means that unless desired, no outside reference is needed to teach the unit. Each unit also has suggested optional activities to supplement instruction. The units can be viewed in two ways: a "survival kit" for the beginning teacher, or as an organizational aid to the experienced teacher.

Philosophy of the Curriculum

Almost without exception, instruction is intended to equip students to do something beyond the classroom. It seems beyond debate that any instruction must be based upon a definite analysis of whatever it is that the student is expected to be able to accomplish as a result of the instruction. Without a clear description of the kind of behavior that will be required of the student, it is impossible to determine with any degree of precision what is to be taught. With this in mind, a careful and thorough analysis of "what the student must do" and "what the student must know" in order to perform in a desirable manner in business was conducted during the development of the objectives for the units.

A terminal performance objective and appropriate enabling objectives for each unit were formulated. The objectives were developed by teams of experienced coordinators drawing on their own expertise, other curriculum materials, and the research of Crawford, Lynch and others. The objectives and the corresponding unit performance evaluations were then validated by people representing the business community.

Unit Components

Each unit is completely self-contained. All instructional materials necessary to teach each unit are provided. To supplement the teaching of the units, optional activities are suggested.

Each unit follows a unique color-coding and numbering format. The units contain the following components:

Introduction: This component provides a thumbnail sketch of the unit and the content and describes why mastery of the objectives is important to the learner. It is designed to motivate the students as well as orient them to the unit.

Performance Objectives: The terminal objective specifies the performance which will be expected of the learner at the completion of the unit. The enabling objectives specify the information, products and competencies which must be mastered or produced by the students in order to be able to perform the terminal objective.

Pre-Assessment: This is a measurement tool to determine the degree of knowledge and/or competency the students already possess of the unit's content. For some units, the pre-assessment is a paper-pencil pre-test. For other units, the pre-assessment consists of pertinent questions and class discussion.

Unit Outline: This presents a table of contents of the unit, the time required for the unit and the materials and resources needed.

Lesson Plans: Lesson plans are presented for each day of the unit accompanied by all necessary material including student information sheets, assignment sheets and teacher materials.

Post-Assessment: This is an objective examination which measures the student's mastery of the enabling objectives. Theoretically, its purpose is not to determine a grade, but to inform the teacher as to whether or not the students are prepared to attempt the unit performance evaluation.

Unit Evaluation: Each unit contains an evaluation of the student's performance or development of a product which is related as closely as possible to actual practice in the world of work. For many units, business people are utilized as evaluators. The unit performance evaluation is critical to effective instruction of the unit because only then will the teacher and students know whether or not the students actually mastered the unit.

Unfortunately, many teachers decide to "take a short-cut," and eliminate the unit evaluation. Ending the unit with the post-instruction assessment falls far short of concluding the unit. Everything accomplished in the classroom from the day the unit was introduced to the completion of the post-instruction assessment has been designed so that the student would be able to attempt the unit performance evaluation.

This evaluation has been developed to determine realistically whether or not the student can satisfactorily perform the terminal objective which specifies the performance expected of the learner at the completion of the unit.

For example, the performance required for the unit, *Getting a Job*, is an actual job interview. For *Parliamentary Procedure*, the performance evaluation is to conduct a meeting using parliamentary rules. For *Economics of Marketing*, the performance evaluation is to develop a product, identify the market functions, define a marketing concept for the product, show what market segments will be appealed to, classify what stores will sell the product, what channels of distribution will be used and what marketing strategy will be used based on the psychological needs of consumers. The unit evaluation, properly conducted, will serve several purposes:

*Provides a "doing" activity for students and an opportunity for them to display the skills and competencies they have acquired.

*Provides students with an opportunity to gain a sense of pride in their accomplishments, as they satisfactorily complete the activity.

*Provides students with an opportunity to receive constructive first-hand knowledge of what is taught in a distributive education program.

*Serves as a good public relations tool for the distributive education program, and could definitely enhance placement of students on jobs.

How to Use the Units

Each unit has a unit numbering system and is color-coded for the convenience of the teacher. Each unit has been assigned a number which is found on the objective sheet. For example, the first unit is *Orientation to Distributive Education and DECA*. The unit number and the objective number are always the same; in this case, it is 1.00.

Each unit contains a terminal objective (blue sheet). The terminal objective will always be 1.00, 2.00, 3.00 . . . 20.00. The enabling objectives will always follow the terminal objective on blue sheets. Enabling objectives for each unit are always prefaced with the unit number and are numbered consecutively. For example, 2.06 is the sixth enabling objective in the second unit.

The lesson plans (yellow sheets) are numbered within the units in the order in which they are to be taught and are not to be confused with the terminal or enabling objectives numbering system.

Lesson plan 12.08, for example, is for the eighth lesson in unit twelve. In the lesson plan, the enabling objective(s) is listed that will be concentrated on during that lesson.

The assignment sheets (green), the information sheets (pink) and the transparency masters (white) are numbered according to the daily lesson plans, not the terminal or enabling objectives. For example, the first assignment sheet for lesson plan 12 is assignment sheet 12.01. The first transparency master for lesson plan 12 is TM 12.01. The information sheets, assignment sheets and transparency masters are keyed to the lesson plan, but are numbered independently of each other. Depending on what is being taught during the lesson, there could be several different assignment sheets, information sheets or transparency masters or a combination of all three.

Students should be provided copies of the objectives, information sheets and assignment sheets. These are available in sufficient quantities for classes at the Instructional Materials Laboratory at the University of Missouri-Columbia. These student materials can be given to students as a packet at the beginning of the unit to be used as needed, or the teacher may elect to give students the necessary materials on a daily basis.

There are two assessments at the end of each unit. One is the post-assessment (buff), and the other is the unit evaluation (buff).

Suggested Use of Units

Two-Year Programs

First year:

Orientation to D.E. and DECA

Parliamentary Procedure

Careers

Human Relations in Marketing and Distribution

Communications

Retailing

Free Enterprise

Physical Distribution

Mathematics

Getting a Job

Second year:

Selling

Human Relations on the Job

Customer Services

Sales Promotion

Operations

Buying and Pricing

Marketing Analysis

Economics of Marketing

Operating Your Own Business

Preparing for Promotion

One-Year Programs

Orientation to D.E. and DECA

Parliamentary Procedure

Careers

Human Relations in Marketing and Distribution

Communications

Mathematics

Getting a Job

Selling

Human Relations on the Job

Economics of Marketing

ECONOMICS OF MARKETING

INTRODUCTION

Marketing is an important part of business and a major area of managerial responsibility. It is the intent of this unit to give you an overall understanding of this marketing process.

In this unit you will look at three major aspects of the market process. These are the nature and scope of marketing, the distribution channels for consumer and industrial goods, and the functions of market segmentation.

We will approach this unit by developing problem-solving techniques used in marketing decisions. It is our hope that this method will give you a better understanding of the principles involved in marketing.

ECONOMICS OF MARKETING

OBJECTIVES

Terminal Objectives:

18.00 Upon completion of this unit the students will be able to describe the sequence of how goods and services get from the producer to the consumer in their chosen occupations.

Enabling Objectives: After completion of this unit the students should be able to:

18.01 Define marketing and describe how the marketing concept would be applied in the production and distribution of merchandise.

18.02 Identify the marketing functions that must be performed in order for the product or service to move from the producer to the consumer.

18.03 Explain the differences between the marketing process for the industrial market and that of the consumer market.

18.04 Explain segmentation as it relates to the labor force, income, education, age, and geographic location.

18.05 Recall the most common channels of distribution used by the industrial and consumer markets.

18.06 Classify stores by the merchandise they sell and the form of ownership.

18.07 Describe the psychological needs which should be considered in promoting products and how products are subject to fashion change.

18.08 Interpret how decisions that consumers make affect the marketing system and how market research uses those consumer decisions.

ECONOMICS OF MARKETING

UNIT OUTLINE

I. Time for unit: Twelve 55-minute class periods

II. Materials

A. Introduction

B. Objectives

C. Lesson Plan 1

1. Information Sheet 1.01 - Definition and Scope of Marketing

2. Assignment Sheets

a. 1.01 - Delores Pramte Case Problem
b. 1.02 - Case Problem
c. 1.03 - Moving Goods from the Producer to the Consumer

D. Lesson Plan 2

1. Information Sheet 2.01 - Definitions of Key Distributive Activities

2. Assignment Sheets

a. 2.01 - The Functions of Marketing
b. 2.02 - Haley's Mystery Stores Case Problem
c. 2.03 - Case Problem

E. Lesson Plan 3

1. Information Sheet 3.01 - Marketing Industrial Goods

2. Assignment Sheets

a. 3.01 - Questions on Industrial Goods for Review and Discussion
b. 3.02 - Relationship of Consumer and Industrial Goods
c. 3.03 - Industrial Buyer Motives

F. Lesson Plan 4

1. Information Sheet 4.01 - Market Segmentation

2. Assignment Sheet 4.01 - Work Force and Geographic Location

G. Lesson Plan 5

1. Information Sheet 5.01 - Market Information

2. Assignment Sheet 5.01 - Income, Education and Age

H. Lesson Plan 6

1. Information Sheet 6.01 - Marketing Consumer Goods

2. Assignment Sheets

   a. 6.01 - Dan's Dairy Isle
   b. 6.02 - Case Problem

3. Transparency Master 6.01 - Marketing Channels for Consumer Goods

I. Lesson Plan 7

1. Information Sheet 7.01 - Industrial Market

2. Assignment Sheets

   a. 7.01 - Clark's Bike Parts Company
   b. 7.02 - Case Problem

3. Transparency Master 7.01 - Marketing Goods

J. Lesson Plan 8

1. Information Sheet 8.01 - Types of Distributive Businesses

2. Assignment Sheet 8.01 - Community Businesses

K. Lesson Plan 9

1. Information Sheet 9.01 - The Interdisciplinary Approach to Consumer Behavior

2. Assignment Sheets

   a. 9.01 - Questions on Human Behavior
   b. 9.02 - Basic Needs Problem

L. Lesson Plan 10

1. Information Sheet 10.01 - Psychological Guidelines and Their Application

2. Assignment Sheets

   a. 10.01 - Questions on Psychological Guidelines
   b. 10.02 - Application of Guidelines

M. Lesson Plan 11 - Post-Assessment

N. Lesson Plan 12 - Unit Evaluation

ECONOMICS OF MARKETING

LESSON PLAN #1

Time for Lesson: 55 minutes

Objective: After completion of this lesson, students should be able to:

18.01 Define marketing and describe how the marketing concept would be applied in the production and distribution of merchandise.

Resources:

1. Information Sheet 1.01 - Definition and Scope of Marketing
2. Assignment Sheet 1.01 - Delores Pramte Case Problem
3. Assignment Sheet 1.02 - Case Problem
4. Assignment Sheet 1.03 - Moving Goods from the Producer to the Consumer

Teacher Activities:

1. Distribute Information Sheet 1.01 - Definition and Scope of Marketing and discuss.

2. Distribute Assignment Sheets 1.01 - Delores Pramte Case Problem and 1.02 - Case Problem to be completed by next class period.

3. Distribute Assignment Sheet 1.03 - Moving Goods from the Producer to the Consumer and have students complete in class and discuss.

Student Activities:

1. Read Information Sheet 1.01 - Definition and Scope of Marketing and discuss.
2. Complete Assignment Sheets 1.01 - Delores Pramte Case Problem and 1.02 - Case Problem by next class period.
3. Complete Assignment Sheet 1.03 - Moving Goods from the Producer to the Consumer in class and discuss.

ECONOMICS OF MARKETING

INFORMATION SHEET #1.01

Definition and Scope of Marketing

All businesses are concerned with marketing practices. This includes the retailer, the wholesaler and the manufacturer. Competency in marketing skill is a must for effective business operation.

Competition has been a significant factor in improving American methods of marketing. As one business improves its methods of marketing, its competitors are then compelled to improve theirs. These attempts to excell are what have caused our market system to rise to the heights of achievement it knows today.

Consumers also need to gain knowledge about our marketing system. They are confronted with an increasing variety of goods and ever more complicated buying decisions. An understanding of the market system will help them be more efficient consumers.

Many different ideas come to mind when we think of the term *market*. For the purposes of this unit the word *market* will be defined as any place where goods and services are bought and sold.

Many different locations, therefore, can be considered a market. Your doorstep can be the market place if you receive a visit from a door-to-door salesperson. Your local grocery is another type of market place. The word *marketing* is a derivative of the word *market* and it is defined as the process of buying and selling. More specifically, *marketing* may be defined as the movement of goods and services from the producer to the consumer.

The history of marketing is as old as humanity. In early times the producer and the marketer were the same person. Usually, goods were exchanged for other goods. For example, the person who raised goats or cattle also sold them to the consumer in exchange for another commodity, such as grain. This simple transaction involved a basic kind of marketing.

Since that time marketing has grown tremendously and has become much more complicated. Today it involves more people than production. It is no longer feasible to have one business involved in both production and marketing steps. Now one business will specialize in producing and another will specialize in marketing or getting the product to the consumer.

This specialization has led to increased efficiency, lower prices and a higher standard of living for everyone.

ECONOMICS OF MARKETING

ASSIGNMENT SHEET #1.01

Delores Pramte Case Problem

Right after her husband died in 1967, Mrs. Delores Pramte decided to open up a 24-hour restaurant on the outskirts of a college town of 30,000, to cater to both students and truck drivers. For the first 1 1/2 years, she barely came out in the black, but after that her reputation for 24-hour service and good food became known. She started to make a modest living from her earnings. In about the middle of her third year, a larger chain restaurant opened up about a half a mile down the highway and started making a dent in Mrs. Pramte's business.

In order to supplement her dwindling sales, Mrs. Pramte decided to try to market a very popular vegetable drink that she made. Due to the large number of students who jogged and did other things for good health, her vitamin-rich drink had been a best-seller in the restaurant.

In the next few months she bought a supply of 10 oz. glass bottles with tops and bottled some of her drink to see whether or not she could sell it profitably. She contacted several grocery stores near campus and two sandwich shops on campus who were willing to stock it on consignment. The retail price for the drink was 30¢ for a 10 oz. bottle, plus 5¢ for the bottle deposit. She gave the retailer a 40% margin on a 30¢ bottle, and she was to clear 6¢ a bottle over her costs for producing and bottling it.

The first year with this arrangement, Mrs. Pramte earned about $200 above costs. Encouraged by this, she decided to step up her marketing efforts. First she hired her 18-year-old son to assist her in calling on both grocery stores and restaurants. She also had some very attractive display signs made up depicting tennis players, joggers, etc. in the background, with health facts and the name of the drink in attractive print in the foreground. She gave this sign free of charge to all the retailers stocking her drink.

By the end of the second year, her revenue above cost was about $350. Two years later it was up to about $600.

During this time period, Mrs. Pramte had considered her vegetable drink as only a supplemental income for her restaurant business. However, as profits grew, she started thinking about the possibilities of marketing her vegetable drink on a much larger scale, in other college communities. She also felt that it might be profitable to market it through a vending machine with the same attractive features as her display sign. She

realized that she had neither the necessary capital or the experience to attempt such a venture alone.

She contacted several prominent leaders in the food and beverage business for advice. They told her that her best bet would be to find a partner with the necessary capital and experience in the beverage business, or, if nothing else, to find a person willing to let her invest his or her money with the hope of receiving a high return on the investment.

Mrs. Pramte advertised for a partner through several different city newspapers with no luck. She also contacted potential investors, with the help of her banker, with no success. Finally, she decided to expand her market by herself. However, she was not sure of the best way she could go about this, with her given resources.

QUESTION:

What would be the most significant variable in deciding how Mrs. Pramte would go about marketing her drink on a larger scale? Write your answer as instructed in Assignment Sheet 1.02.

ECONOMICS OF MARKETING

ASSIGNMENT SHEET #1.02

Case Problem

1. Read Assignment Sheet 1.01 - Delores Pramte Case Problem.

2. Prepare a short paper for the above case problem in the following manner:

   a. Title of case
   b. Type of case
   c. Outline of significant facts
   d. Statement of the main problem
   e. Statement of a recommended solution

ECONOMICS OF MARKETING

ASSIGNMENT SHEET #1.03

Moving Goods from the Producer to the Consumer

Distribution involves all the activity necessary to move goods and services from the producer to the consumer. Choose a consumer product of your choice and explain in one or two paragraphs all the significant activity that takes place as it moves from production to final consumption.

ECONOMICS OF MARKETING

LESSON PLAN #2

Time for Lesson: 55 minutes

Objective: After completion of this lesson, students should be able to:

18.02 Identify the marketing functions that must be performed in order for the product or service to move from the producer to the consumer.

Resources:

1. Information Sheet 2.01 - Definitions of Key Distribution Activities
2. Assignment Sheet 2.01 - The Functions of Marketing
3. Assignment Sheet 2.02 - Haley's Mystery Stores Case Problem
4. Assignment Sheet 2.03 - Case Problem

Teacher Activities:

1. Distribute Information Sheet 2.01 - Definitions of Key Distribution Activities and discuss.

2. Distribute Assignment Sheet 2.01 - The Functions of Marketing and have students complete it in class and discuss.

3. Distribute Assignment Sheets 2.02 - Haley's Mystery Stores Case Problem and 2.03 - Case Problem to be completed by the next class period.

Student Activities:

1. Read Information Sheet 2.01 - Definitions of Key Distribution Activities and discuss.
2. Complete Assignment Sheet 2.01 - The Functions of Marketing in class and discuss.
3. Complete Assignment Sheets 2.02 - Haley's Mystery Stores Case Problem and 2.03 - Case Problem by next class period.

ECONOMICS OF MARKETING

INFORMATION SHEET #2.01

Definitions of Key Distribution Activities

Buying--Selecting the right product, in the right quantity, at the right price, at the right time for resale.

Selling--Helping customers to make satisfactory purchases. It includes personal selling, sales promotion, advertising and mail-order selling.

Transporting--Involves the shipment of goods from producer to distributor to consumer. The method of shipment must be appropriate for that type of merchandise.

Storing--Involves storing goods until they are needed.

Risk-Bearing--Every business that owns buildings, equipment and inventory faces the risk of loss by fire, theft or flood. These can be insured against. Also, another risk the business takes is that the product won't sell well enough.

Standardizing and Grading--Sorting goods into categories or grades. It is used to indicate size, quality and quantity.

Financing--Involves the capital needed to operate the business until a return is generated by goods sold.

Collecting Market Information--The collecting and interpreting of relevant information about suppliers and market conditions.

ECONOMICS OF MARKETING

ASSIGNMENT SHEET #2.01

The Functions of Marketing

DIRECTIONS: Read each of the numbered descriptions below. Then select the marketing function that matches the description and write this function in the space provided.

Buying	Selling
Financing	Standardizing and grading
Collecting market information	Storing
Risk-bearing	Transporting

1. Holding merchandise in reserve so that it is available when needed. _____

2. Accepting the possibility of damage or loss in assuming ownership of marketed goods. _____

3. Persuading and assisting prospective buyers to purchase goods and services. _____

4. Selection of the right quantity and quality of merchandise at the right price and at the right time to meet future demands and keep within planned inventory limits.

_____

5. Collecting, interpreting and using all pertinent information about sources of merchandise supply and market conditions.

_____

6. Shipment of goods from producer through distributor to consumer via the best means of transportation. _____

7. Sorting products into a number of classes and grades so that merchandise can be accurately described and catalogued.

_____

8. Supplying the money that is needed to carry on marketing activities. _____

ECONOMICS OF MARKETING

ASSIGNMENT SHEET #2.02

Haley's Mystery Stores Case Problem

Haley's Mystery Stores operate a small chain of ten bookstores that specialize in mysteries. Their books are sold at competitive prices in ten large midwest metropolitan areas. The chief competitive edge of these stores lies in their very large variety of mystery titles.

Because their market is limited to mystery fans, Haley's Mystery Stores found it necessary to locate in highly populated areas in order to find enough customers. Usually they locate at mid-priced locations right off the main street in a downtown area. People will usually go out of their way to find and go to these stores, because they can't find a lot of the books anywhere else.

The stores are all about the same size, approximately 2500 to 3000 square feet. Their signs and store layouts are also the same.

Haley's merchandising policies are based on providing customers with the widest selection of mysteries that experience has shown will produce the most rapid turnover of merchandise. Newspaper advertising is used twice a month. Direct mail advertising to already existing customers is used once a month. All sales are on a cash and carry basis. No single store is indispensible to the continuing operation of the others.

About 85% of the purchasing is done by the manager of a given store based upon local demand. The other 15% is done by Mr. Haley for all ten stores. This is usually made up of new merchandise that he feels will sell.

The stores' suppliers are made up of about 20 book wholesalers and 10 book publishing companies. Mr. Haley has good rapport with most of these firms and they have given him a lot of help on how to take advantage of discount policies, credit, etc.

Haley's chief competitors are the full-line bookstores and also several general merchandise stores that carry a small line of mystery books.

ECONOMICS OF MARKETING

ASSIGNMENT SHEET #2.03

Case Problem

1. Read Assignment Sheet 2.02 - Haley's Mystery Stores Case Problem.

2. Prepare a written explanation of how the marketing activities would differ between a full-line book store and a Haley's Mystery Store.

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ECONOMICS OF MARKETING

LESSON PLAN #3

Time for Lesson: 55 minutes

Objective: After completion of this lesson, students should be able to:

18.03 Explain the differences between the marketing process for the industrial market and that of the consumer market.

Resources:

1. Information Sheet 3.01 - Marketing Industrial Goods
2. Assignment Sheet 3.01 - Questions on Industrial Goods For Review and Discussion
3. Assignment Sheet 3.02 - Relationship of Consumer and Industrial Goods
4. Assignment Sheet 3.03 - Industrial Buyer Motives

Teacher Activities:

1. Distribute Information Sheet 3.01 - Marketing Industrial Goods and discuss.

2. Distribute Assignment Sheet 3.01 - Questions on Industrial Goods For Review and Discussion and discuss.

3. Distribute Assignment Sheets 3.02 - Relationship of Consumer and Industrial Goods and 3.03 - Industrial Buyer Motives to be completed by the next class period.

Student Activities:

1. Read Information Sheet 3.01 - Marketing Industrial Goods and discuss.
2. Discuss Assignment Sheet 3.01 - Questions on Industrial Goods For Review and Discussion in class.
3. Complete Assignment Sheet 3.02 - Relationship of Consumer and Industrial Goods and 3.03 - Industrial Buyer Motives by next class period.

ECONOMICS OF MARKETING

INFORMATION SHEET #3.01

Marketing Industrial Goods

The industrial market differs from the consumer market in four important ways:

1. *Number of Buyers*--The number of buyers in the industrial market is much smaller than the number of buyers in the consumer market. Because of this the sales promotion methods used to reach the industrial sector are quite different from those used to reach the consumer. The latter is reached through advertising media such as television, newspapers, radio, and magazines. The former, which is a much smaller market, is reached through direct mail, advertisements in trade magazines, and displays at trade shows.

   Industrial marketers are also more likely to give their sales representatives in-depth technical training and an excellent salary.

2. *Size of Purchases*--The average purchase made by a given industrial buyer is much larger than that of a consumer. This is because the industrial buyer is purchasing for an entire company rather than for personal use. Because of these huge purchases, sales to the industrial market are almost as much as sales to the consumer market, even though there are fewer industrial buyers.

   Due to the large sums of money that can be involved in one industrial sale, a sales representative many times will spend months trying to sell one buyer.

3. *Responsibility for Buying*--The responsibility for buying in an industrial firm is taken by either the owner or manager, in the small firm, or by the industrial buyer in the large firm. The industrial buyer often has several assistants. Also, there may be other knowledgeable people in thy company to aid in buying large, expensive equipment. There are several things that industrial buyers must consider when making purchases for their companies. Among these are:

   a. *Buying Motives*--Whereas emotional appeal often affects the consumer's buying decision, industrial buyers must base their decisions much more on reason and logic to get the most suitable materials at the best price.

b. *Quality*--Industrial buyers decide what quality they need based upon the intended use of the product. They aren't always after the highest quality. For example, a manufacturer of mid-priced blouses would want mid-quality cloth.

c. *Supplier Integrity*--Buyers base part of their buying decision on the integrity of the seller. They want a seller who offers quality products, good service and who has a sound reputation.

d. *Production Efficiency*--When deciding which equipment to purchase, buyers should choose that which provides maximum efficiency. They should ask themselves questions such as: "What will be the repair incidence of this machine?" "Does it require fewer workers to operate?"

e. *Customer Service*--When all other things are equal between competing suppliers, customer service becomes more important. In this type of situation buyers are likely to choose the supplier who offers the most valuable services. Such services include technical assistance, repair and maintenance work, and sales and advertising assistance.

f. *Sources of Supply*--When buyers are in need of a particular product, they have several sources of supply from which to choose. Picking the best source requires a good deal of research. Usually, there are three ways they can purchase materials after choosing basic sources of supply. They can buy direct from the manufacturer, they can use a manufacturer's catalog service (which is similar to consumer catalog services), or they can buy through a distributor who may represent several manufacturers.

4. *Demand for Goods*--The demand for industrial goods is a "derived demand." It is derived from a demand for consumer goods that it is used to produce. If a particular consumer good is no longer in demand, then the industrial goods used to produce it will no longer be in demand. For this reason, many times the manufacturer of industrial goods will promote them not only to the industrial buyer, but also to the consumer.

ECONOMICS OF MARKETING

ASSIGNMENT SHEET #3.01

Questions on Industrial Goods For Review and Discussion

1. In what four ways does the industrial market differ from the consumer market?

2. Although the number of industrial buyers is only a fraction of the number of consumers, sales to the industrial market total almost as much as those to consumers. Why?

3. List five factors that industrial buyers consider before making a purchase for their company.

4. Do industrial buyers always buy the best possible grade of an industrial product? Explain.

5. What does the reputation of the supplier mean to industrial buyers? Is price necessarily the most important factor in industrial buying decisions? Explain.

6. In what three ways can industrial buyers purchase their products?

ECONOMICS OF MARKETING

ASSIGNMENT SHEET #3.02

The Relationship of Consumer and Industrial Goods

For each of the following industrial goods, name at least four consumer goods in which the industrial good can be used:

Lumber:

Plastic:

Wool:

Paper:

Leather:

ECONOMICS OF MARKETING

ASSIGNMENT SHEET #3.03

Industrial Buyer Motives

For each of the following industrial goods, state at least one question that an industrial buyer might ask a sales representative about it.

Oil:

Polyester material:

Dye:

Zippers:

Paper:

ECONOMICS OF MARKETING

LESSON PLAN #4

Time for Lesson: 55 minutes

Objective: After completion of Lessons #4 and 5, students should be able to:

18.04 Explain segmentation as it relates to the labor force, income, education, age, and geographic location.

Resources:

1. Information Sheet 4.01 - Market Segmentation
2. Assignment Sheet 4.01 - Work Force and Geographic Location

Teacher Activities:

1. Distribute Information Sheet 4.01 - Market Segmentation and discuss.

2. Distribute Assignment Sheet 4.01 - Work Force and Geographic Location and have students complete in class and discuss.

Student Activities:

1. Read Information Sheet 4.01 - Market Segmentation and discuss.
2. Complete Assignment Sheet 4.01 - Work Force and Geographic Location in class and discuss.

INFORMATION SHEET #4.01

Market Segmentation

There are two things which are necessary for an effective marketing campaign. First, knowledge of the market for a given commodity must be obtained. Second, the extent to which this commodity will satisfy customer demands must be determined.

The market for a given commodity or line of commodities must be broken down into smaller markets, which are referred to as *segments*. Each of these sub-markets, or segments, represents a buying group which has common needs and wants. The process of appealing to these needs and wants of a given segment is called *segmentation*.

For example, it would be erroneous to refer to a television market. Rather, there are different segments, each representing a different type of television buyer. There are new and used TV buyers, there are portable TV buyers, there are large color TV buyers, there are small black-and-white TV buyers, etc.

When developing a marketing strategy, marketers break down the total market for their commodity into segments and then focus on the needs and wants of a specific segment.

A market can be segmented into many different types of groups. The following looks at segmentation as it relates to the work force, geographic location, income, education and age.

The labor force is made up of all the people 16 or older who are working for money or who are seeking work. It can be segmented in many different ways. It could be segmented by the types of positions held, by ethnic background, by race, by religion, etc.

There are also some recent changes in the labor force that have brought about new types of segments. First is the increase in women working outside the home. The number of women in the work force has risen significantly. This has created a demand for frozen foods, household appliances and other conveniences needed by women who have less time to spend at home. The woman's income may be needed for basic support of the family, or it may be used to provide such luxuries as larger wardrobes, more expensive vacations, etc.

Second, there is the concept of a shorter work week. Several unions have negotiated a work week of 36 hours or less. Some companies have launched a four-day work week, where the workers still work 40 hours, but do it in four 10-hour days. These

changes have led to an increased demand for leisure-time and recreation products and services to occupy this larger amount of free time. This includes such things as sports gear, camping equipment, weekend homes in the country, etc.

Finally, the retirement age has been decreasing steadily. There is a definite trend of retiring at 60 and even younger rather than at 65 or 70. Also, because of better health care, people are living longer and in better condition. These factors have created a significant market for retired senior citizens. Like the shorter work weeks, early retirements have increased demands for leisure-time and recreation products and services.

The geographic location of potential customers can have a great effect on marketing strategy. People in the South tend to buy lighter clothing than people in the North. People in metropolitan areas tend to spend more money on security systems, such as yard lights or burglar alarms, than do people in rural areas.

There are three recent changes in geographic location that have brought about new types of market segmentation. First, there is the increased population mobility. Migratory trends became greatly accelerated right after World War II and still continue. Every state in our country, except for North Dakota, South Dakota, West Virginia and Washington D.C., has increased in population size. These four had population decreases. Some states with population increases have had much larger gains than others. For example, Mississippi's population increase was 1.8%, while Nevada's was 71.3%. Population shifts should be taken into account when planning a marketing strategy.

Second, there is the increasing urbanization of the population in the United States. The metropolitan areas are increasing in size while the rural areas are decreasing. A marketing strategy must take into account urbanization trends and adjust its approach accordingly. For example, general merchandisers may decide that due to the increasing numbers of people in metropolitan areas, they will locate all of their future stores there.

Finally, the move of city dwellers to the suburban and exurban areas has had a strong influence on marketing strategy. Exurbia is defined as an area which is part of the metropolis but which is five or more miles from the city limits.

People living in these two areas have more yard space and more square feet within the home. This has led to an increased demand for garden tools, shrubbery, furniture, appliances, etc. Also, this growth in suburbia and exurbia has led to a growth in suburban shopping centers, which are taking millions of dollars of trade away from the downtown stores.

ECONOMICS OF MARKETING

ASSIGNMENT SHEET #4.01

Work Force and Geographic Location

DIRECTIONS: In a group of no more than four people:

1. Choose one person to record the group's work.
2. Make a list of at least ten subcategories or segments of the labor force.
3. Explain the effect on marketing strategy of each of the segments you listed in Question #2.
4. Explain how the geographic location of potential customers affects marketing strategy.

ECONOMICS OF MARKETING

LESSON PLAN #5

Time for Lesson: 55 minutes

Objective: After completion of this lesson, students should be able to:

18.04 Explain segmentation as it relates to the labor force, income, education, age, and geographic location.

Resources:

1. Information Sheet 5.01 - Market Information
2. Assignment Sheet 5.01 - Income, Education and Age

Teacher Activities:

1. Distribute Information Sheet 5.01 - Market Information and discuss.

2. Distribute Assignment Sheet 5.01 - Income, Education and Age and have students complete in class and discuss.

Student Activities:

1. Read Information Sheet 5.01 - Market Information and discuss.
2. Complete Assignment Sheet 5.01 - Income, Education and Age in class and discuss.

ECONOMICS OF MARKETING

INFORMATION SHEET #5.01

Market Information

Family incomes have increased greatly during the last few years. Even taking into account adjustments made for price increases, the average family income is almost 85% higher than twenty years ago. This has had a marked influence on marketing strategy.

Some states have a higher median personal income than others. This causes buying power to vary from state to state depending on income available. Also, there is variation in regional buying power. For example, in the sixties the South became more metropolitan and its median income increased 48% as compared with a 39% increase for the rest of the nation. Marketers must look at the average income in an area in order to determine if they have a market for certain commodities, such as expensive jewelry or boats.

Increased income has caused an increase in home ownership. In 1950, 55% of all homes were privately owned; by 1970, this figure jumped to 62.9%. This has led to a market for do-it-yourself projects. The number of how-to-do-it magazines increased greatly and the sale of home tools and supplies has been booming.

In the last few years the educational level attained by the average American has increased. In 1950 the average adult had completed 9.3 years of schooling; by 1970, the average was 12.1 years. This increase in education has important implications for the marketer. First, a better-educated society will not be so easily swayed by advertising which appeals to emotion or which is misleading. People will also be able to better recognize quality. There will be an increase in continuing education which calls for more instructional materials, private and public vocational schools, etc.

The United States tends to have a relatively young population. In 1970, the average age was 28.3 years. There is a very important market for goods and services needed by young people. For example, it has been estimated that teenagers buy 81% of the records, 45% of the soft drinks and 30% of the lower-priced cameras. Also, young persons in their twenties spend a lot of dollars on automobiles, eating out, appliances and furniture.

ECONOMICS OF MARKETING

ASSIGNMENT SHEET #5.01

Income, Education and Age

DIRECTIONS: Give examples of how the following market trends have affected the business where you work.

1. The work force
2. Working women
3. Hours of work
4. Four-day work week
5. Early retirement
6. Younger population
7. Educational characteristics
8. Population mobility
9. Suburbia
10. Exurbia
11. Urbanization
12. Do-it-yourself projects
13. Home ownership
14. Family income
15. Income by geographical region

ECONOMICS OF MARKETING

LESSON PLAN #6

Time for Lesson: 55 minutes

Objective: After completion of Lessons #6 and 7, students should be able to:

18.05 Recall the most common channels of distribution used by the industrial and consumer markets.

Resources:

1. Information Sheet 6.01 - Marketing Consumer Goods
2. Assignment Sheet 6.01 - Dan's Dairy Isle
3. Assignment Sheet 6.02 - Case Problem
4. Transparency Master 6.01 - Marketing Channels for Consumer Goods

Teacher Activities:

1. Have students read Information Sheet 6.01 - Marketing Consumer Goods.

2. Discuss Information Sheet 6.01 focusing on the following:

   a. Difference between consumer and industrial goods
   b. Types of consumer goods: convenience, shopping, specialty
   c. How to market the types of consumer goods

3. Show Transparency Master 6.01 - Marketing Channels for Consumer Goods and ask for any questions.

4. Distribute Assignment Sheets 6.01 - Dan's Dairy Isle and 6.02 - Case Problem; have students read Assignment Sheet 6.01 and then divide into groups of four and complete Assignment Sheet 6.02.

5. Collect Assignment Sheet 6.02 and discuss solution.

Student Activities:

1. Read Information Sheet 6.01 - Marketing Consumer Goods.
2. View Transparency Master 6.01 - Marketing Channels for Consumer Goods.
3. Discuss Information Sheet 6.01 and Transparency Master 6.01 and ask questions on any unclear points.
4. Read Assignment Sheet 6.01 - Dan's Dairy Isle.
5. Divide into groups of four and complete Assignment Sheet 6.02 - Case Problem and discuss solution.

ECONOMICS OF MARKETING

INFORMATION SHEET #6.01

Marketing Consumer Goods

Retailing is made up of three basic types of goods:

1. *Consumer Goods*--These simply refer to goods used by the final consumer.
2. *Business Goods*--
3. *Industrial Goods*--

Both of these types of goods are used to produce other goods.

The best way to decide how to classify goods is to look at how they are used. For example, a telephone that is used at home for personal calls is a consumer good. A telephone used in an office for business calls would be classified as a business good.

This information sheet discusses how to market three types of consumer goods: *convenience, shopping,* and *specialty goods.*

Marketing Convenience Goods

Convenience goods refer to those goods that a person would buy often without doing much shopping around first. When you buy candy bars, newspapers, frozen foods and the like, you are buying convenience goods. The small quick-type food stores are an example of stores that specialize in the convenience goods.

There are a number of reasons that a retailer might prefer to deal with the wholesaler than with the manufacturer. First of all, you can probably get credit much easier from the wholesaler since you may buy most of your convenience goods from the wholesaler directly. In addition, you don't have to deal with the many salespeople traveling through that represent the individual retailer. The wholesaler will break up shipments so you don't have to buy a whole truckload as you would have to do with a manufacturer. Breaking a shipment down into smaller parts from a truckload is called *bulk breaking.* Buying this way means the retailer doesn't have to store large shipments. This means not having to buy large amounts either.

The flow of goods from producer to wholesaler to retailer to the consumer is shown below:

Producer → → → Wholesaler → → → Retailer → → → Consumer

Probably the most important service that can be provided by the wholesaler is to reduce the cost of convenience goods. A manufacturer of paper clips, for example, couldn't afford to contact the many stores around to get orders of only a few dollars. But a wholesaler stationer can have paper clips sold at a lot of stores by having salespeople sell many different items, including paper clips. This way large shipments can be sent out to the nearby retailers, reducing the transportation costs. It costs less to ship in larger quantities from wholesaler to manufacturer, than in smaller lots.

Though a lot of convenience goods may be bought indirectly from the manufacturer, some large manufacturers and chain stores deal directly with the retailers. Although they may order small items, there is a sufficient number of them to make up a larger order.

Marketing Shopping Goods

Shopping goods aren't bought as often by customers as are convenience goods. A customer will often inspect a number of different materials, colors, styles and prices before making a decision. Furniture, clothing, fine china, cameras and tape recorders are examples of the type of shopping goods we are talking about. A customer may or may not be in a hurry to purchase shopping goods, depending on circumstances.

There are several reasons that a customer may decide to buy shopping goods directly from the manufacturer, rather than from the retailer or wholesaler. First the customer may realize much more savings by going directly to the manufacturer. This way the wholesaler's profits are bypassed, and the customer may get a better buy. The second reason that a customer may buy directly from the manufacturer is the rapid change in fashion and styles of goods. It may be easier to get the new style before the public by selling directly to the customer. The third reason why shopping goods are sold directly to the customer is that there are only a limited number of specialty shops or department stores that carry the line of goods, so manufacturers keep in touch with their own retail outlets.

Marketing Specialty Goods

Specialty goods are goods that may require a special purchasing effort by the customer. Purchasing a special part for a motorcycle or a boat, a hi-fi set or gourmet foods--all these are types of specialty goods. The primary concern here is not the price of the goods but the brand and quality.

Sometimes goods may be classified differently, depending on the way they are viewed by a particular customer. For example, one person may be shopping for a particular brand of TV set, not concerned with price at all. Another customer, however, may

check out the price, quality, condition and special features of that product.

Specialty goods are often sold directly to the retailer from the manufacturer. Manufacturers and retailers may enter into *exclusive agency agreements*. This may give a particular retailer the right to be the only dealer in the area to handle a certain brand of motorcycles. In an area where the customer is familiar with the arrangement for the sale of specialty goods and services this works out especially well.

Many goods and services, new automobiles, tractors and farm equipment, different types of clothing and insurance may be sold another way. There may be one agency or store in the community that carries the name brand. The products may be sold through exclusive agencies. Because it is the only place in the community where the product is sold, the retailer is sure to gain from promoting the sale.

Summary of Marketing Channels for Consumer Goods

In the marketing channel from producer directly to consumer there are no middle links. Buying directly from the *factory outlet stores*, from roadside markets or from factory directly are examples of direct selling.

The second type of marketing channel is the one most commonly used to sell shopping goods. Here the retailer is the middle link in the marketing chain.

The third type of marketing channel has two middle agents: the wholesaler and the retailer. Convenience goods are probably sold this way most often.

The last type of marketing channel uses three or four middle agents. It might be used where there are perishable goods. The main thing to remember is that the use of middlepersons actually speeds up the process because each is a specialist in his or her area. Different types of methods may be used, depending on a number of variables such as the distance involved, the type of product, size of the shipment and credit available.

Remember that firms may decide to use any combination of these types of marketing channels. Producers may sell to retailers and to wholesalers. Sometimes, products may be obtained from the factory directly by customers and that the same firm will be selling to retailers.

ECONOMICS OF MARKETING

ASSIGNMENT SHEET #6.01

Dan's Dairy Isle

Dan's Dairy Isle is located in 165 different retail outlets that are a part of the franchise from the company. They are located mostly in independent locations near shopping centers. Land is leased and improved by the company and the average area would be around 1,500 sq. feet.

Dairy mixes and other franchised products are sold to franchise operators that lease from the company. Each outlet is called Dan's Dairy Isle and sells ice cream, beverages, hamburgers and fries made on location.

Besides the products sold, the operator of the franchise also agrees to purchase its containers, paper goods and other supplies from Dan's Dairy Isle.

The training program necessary to train new employees on procedures and standard operations of the franchised stores costs $500, but after a year of employment the company will reimburse the full amount.

A certain percentage of the sales is required to pay for the franchise. Business has been good since the opening day in 1976, when average yearly sales were near $55,000.

The company is looking for ways to increase customer sales and reach out to more of the community.

ECONOMICS OF MARKETING

ASSIGNMENT SHEET #6.02

Case Problem

1. Read Assignment Sheet 6.01.

2. In a group of four people or less, prepare a written report of new ways to reach the consumers with Dan's Dairy Isle. Your written explanation should follow this outline:

   a. Title of case

   b. Type of case

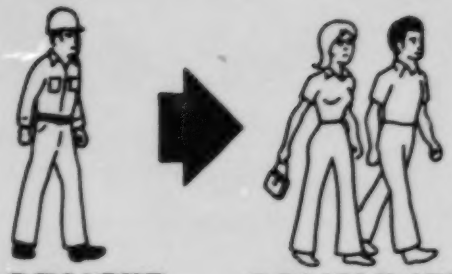
   c. Outline of pertinent facts

   d. Statement of the major issues

   e. Statement of the principal issue

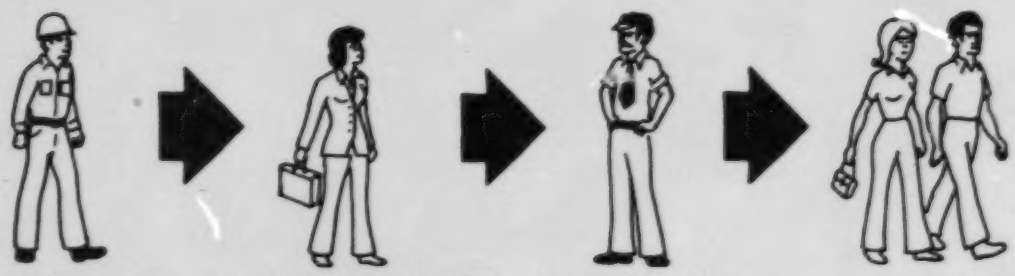
   f. Cutline of recommended solution

MARKETING CHANNELS FOR CONSUMER GOODS

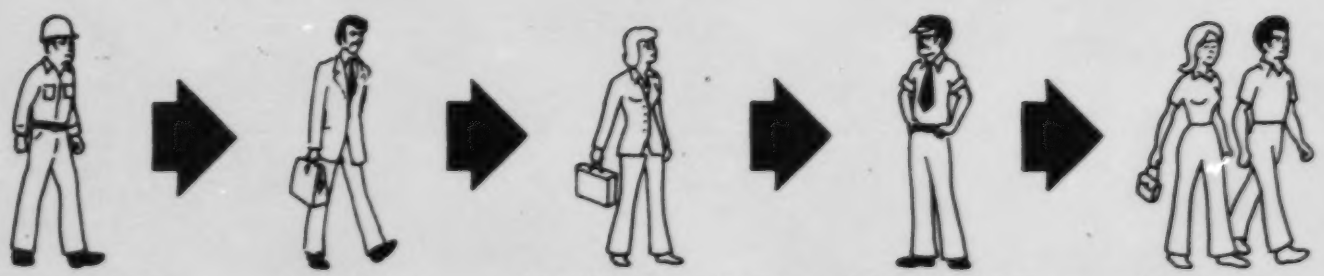


PRODUCER CONSUMER

PRODUCER RETAILER CONSUMER



PRODUCER WHOLESALER RETAILER CONSUMER



PRODUCER AGENT WHOLESALER RETAILER CONSUMER

ECONOMICS OF MARKETING

LESSON PLAN #7

Time for Lesson: 55 minutes

Objective: After completion of this lesson, students should be able to:

18.05 Recall the most common channels of distribution used by the industrial and consumer markets.

Resources:

1. Information Sheet 7.01 - Industrial Market
2. Assignment Sheet 7.01 - Clark's Bike Parts Company
3. Assignment Sheet 7.02 - Case Problem
4. Transparency Master 7.01 - Marketing Goods

Teacher Activities:

1. Discuss Information Sheet 7.01 - Industrial Market, focusing on the following:

   a. Selling direct
   b. Industrial distributors
   c. Mid-level agents: brokers, manufacturer's agents, selling agents

2. Show Transparency Master 7.02 - Marketing Goods and ask for any questions.

3. Distribute Assignment Sheets 7.01 - Clark's Bike Parts Company and 7.02 - Case Problem; have students read Assignment Sheet 7.01 and complete Assignment Sheet 7.02.

4. Collect Assignment Sheet 7.02 and discuss possible solutions.

Student Activities:

1. Discuss Information Sheet 7.01 - Industrial Market
2. View Transparency Master 7.01 - Marketing Goods.
3. Discuss Information Sheet 7.01 and Transparency Master 7.01 and ask questions on any unclear points.
4. Read Assignment Sheet 7.01 - Clark's Bike Parts Company and complete Assignment Sheet 7.02 - Case Problem; turn in and discuss possible solutions.

INFORMATION SHEET #7.01

Industrial Market

Although some industrial goods are marketed through wholesalers, most are marketed from the manufacturer to the industrial user directly. This is quite different from the manner that most consumer goods are marketed, as we learned in Information Sheet 6.01.

Selling Direct

Industrial goods may be purchased infrequently and at considerable expense. For these reasons, an industrial purchaser prefers to buy directly from the manufacturer. A particular machine may last ten or fifteen years and require particular maintenance. The manufacturer may help the purchaser in the installation and operation of this equipment and keep in touch with the customer's needs for additional equipment.

Using Industrial Distributors

Some types of industrial products are sold through industrial distributors. The industrial distributor buys from the manufacturer and then sells to the industrial users. For example, a company that has building materials from different companies and who sells to building contractors is an industrial distributor. The service wholesaler, on the other hand, sells to retailers, rather than to industrial users as the industrial distributor.

Middle Marketing Agents

Middle marketing agents sell industrial goods, as do the industrial distributors. A small manufacturer may have a middle agent who works in the same way in industrial goods as in the consumer goods market. There are three commonly used middle agents in the industrial goods market: the *broker*, the *manufacturer's agent* and the *selling agent*.

Brokers

A *broker*, as an agent, does not have any control of the goods. Brokers represent the buyer or the seller and negotiate the prices for the principal that they represent. Small manufacturers would probably find that it is to their advantage to be

represented by a broker rather than by a sales force because of limited financial resources.

Manufacturer's Agents

Manufacturer's agents have more authority in representing their principal than brokers do. Their operations are generally on an extended contractual basis. Sales are made on related lines of goods, not competing ones. The prices and terms of the sale are limited as far as the authority that the manufacturer's agent has.

Generally there is an arrangement to pay the manufacturer's agent 10 to 15 percent in sales commission. While the agent may handle only ten or twelve lines, the industrial distributor might handle thousands of specific items. Because the manufacturer's agent handles fewer lines, there is even more opportunity to sell aggressively. Most of the sales are industrial goods, as opposed to consumer goods. Often the buyer will need technical assistance that the manufacturer's agent willingly offers.

Selling Agents

A *selling agent* operates on an extended contractual basis. The principal may have the selling agent carry a specific line of merchandise or the complete output of inventory. The selling price and terms are in the hands of the selling agents. They may cover a wide territory with the merchandise, making price and other concessions to potential buyers. The manufacturer has little control of the selling function. At times the manufacturer may even receive financial assistance from the selling agent. This is an attractive benefit to the manufacturer who may have very limited financial resources.

Summary of Market Channels for Industrial Goods

The principle marketing channels for industrial goods are as follows:

1. Producer → → → Industrial User
2. Producer → → → Agent → → → Industrial User
3. Producer → → → Industrial Distributor → → → Industrial User

As we have just discovered, middle agents may be brokers, manufacturer's agents, or selling agents. Many manufacturers find that it is profitable to combine the various marketing channels to sell their products. While selling some products directly to the industrial user, others may be sold through the industrial distributor or through an agent.

ECONOMICS OF MARKETING

ASSIGNMENT SHEET #7.01

Clark's Bike Parts Company

The various parts that Clark's Bike Parts Company sells include the spokes, handle bars, main body of the bicycle, pedals, rims, tail lights, headlights and gear shift mechanisms. Over half of the products and purchases are from outside sources--probably 47% of the parts are manufactured by Clark's Bike Parts Company.

The sales force sells the products to jobbers indirectly, through the bicycle parts distributors. Jobbers then sell the parts to the various repair shops and bicycle dealers in the geographic area surrounding the company.

Parts are now being sold under the Clark brand name and the company is considering the franchise of dealers who would specialize in the sale of gear shift mechanisms.

ECONOMICS OF MARKETING

ASSIGNMENT SHEET #7.02

Case Problem

1. Read Information Sheet 7.01.

2. Report on your solution to the case problem: Should Clark's Bike Parts Company establish franchise dealers to specialize in the sale of the gear shift mechanisms?

   Use the following outline to prepare your written report:

   a. Title of case

   b. Type of case

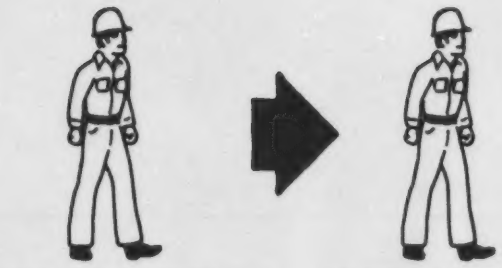
   c. Outline of pertinent facts

   d. Statement of major issues

   e. Statement of the principal issue

   f. Outline of your recommended solution

MARKETING GOODS



PRODUCER → INDUSTRIAL USER

PRODUCER → AGENT → INDUSTRIAL USER

PRODUCER → INDUSTRIAL DISTRIBUTOR → INDUSTRIAL USER

ECONOMICS OF MARKETING

LESSON PLAN #8

Time for Lesson: 55 minutes

Objective: After completion of this lesson, students should be able to:

18.06 Classify stores by the merchandise they sell and the form of ownership.

Resources:

1. Information Sheet 8.01 - Types of Distributive Businesses
2. Assignment Sheet 8.01 - Community Businesses

Teacher Activities:

1. Have students read Information Sheet 8.01 - Types of Distributive Businesses.

2. Using Assignment Sheet 8.01 - Community Businesses have class discussion on identifying the types of businesses in the community.

3. Ask for any questions.

Student Activities:

1. Read Information Sheet 8.01 - Types of Distributive Businesses and Assignment Sheet 8.01 - Community Businesses.
2. Discuss types of businesses in the community.
3. Ask any questions on unclear points.

ECONOMICS OF MARKETING

INFORMATION SHEET #8.01

Types of Distributive Businesses

The marketing activities of businesses and institutions are performed by various methods. Those that we will discuss include: manufacturers' sales departments, wholesalers, retailers, service businesses, cooperatives and franchise businesses.

Manufacturers' Sales Departments

Manufacturers may have various types of sales offices besides the home sales office. A *regional sales office* of a large manufacturer has a number of salespersons who are assigned to territories from this office. Orders are shipped from the factory or warehouses that are centrally located. The regional sales office does not concern itself with shipments of goods.

Decentralized sales department operations are maintained to handle the shipment of goods as well as the sales staff. Shipments are generally received from a centralized warehouse in the region.

Wholesalers

The three principal types of wholesalers that will be discussed are: merchant wholesalers, limited function wholesalers and middle agents.

Merchant wholesalers perform all of the major wholesale functions and services that are a very large portion of all wholesale sales. Retailers need not concern themselves with stocking huge inventories because they can replenish their stock easily. Merchant wholesalers carry a complete line of goods and may even provide financial assistance to the retailer. Since merchant wholesalers know the condition of the retailers because they work together often, this is a distinct advantage to both. Additional services might include merchandising advice and/or a continuous contractual relationship with the principal.

Limited function wholesalers are specialists in their areas. Drop shippers, cash-and-carry wholesalers, and truck distributors are types of limited function wholesalers.

Middle agents perform one or a few limited functions. Although they do negotiate purchases or sales or both, they do not take title to the goods. Selling agents, manufacturer's agents and brokers are types of middle agents.

Selling agents sell to merchant wholesalers, industrial consumers and to retailers. They are often involved in the areas of food and textile industries. *Manufacturer's agents* sell their goods on a commission basis in certain areas. They are employed by the manufacturer, but are actually operating on an independent basis. In some cases these agents sell products for several different manufacturers. Manufacturers often cannot afford full-time salespersons so they hire the manufacturer's agents to sell their products in certain designated territories. The distribution of a variety of machinery and equipment, types of chemicals and metals are often found to be sold in this way. *Brokers* negotiate the sales and purchases for their customers. They do not take possession of the goods.

Retailers

Retailers link the final product from the producer to the consumer. Retailers may perform a variety of services regardless of their size:

1. Buying goods
2. Storing goods
3. Deciding on sales prices
4. Providing credit terms to customers
5. Selling to customers
6. Wrapping items
7. Delivering purchases to customers
8. Repairing appliances, etc.

Because of the various types of merchandise and the various types of operation, we can look at different retail outlets:

General stores are often found in rural areas. A wide variety of merchandise is carried in small amounts. Such items as food, livestock and poultry feed, tools, gasoline and motor oil, hardware and cosmetics are often sold.

Specialty stores are stores that will carry one class of goods. For example, a line of housewares or jewelry or ladies' dresses. Usually they carry a very distinctive brand or line of merchandise and cater to the customers' needs in this area.

Department stores often have specialty shops that all operate under the same roof. A variety of goods is stocked, such as clothing, lamps, yard goods and furniture.

Supermarkets sell a complete line of groceries - meats, fresh fruits, milk and other dairy products, fresh vegetables and freshly baked breads and pastries. There is a lot of parking space, large displays, lots of floor space and cash-and-carry shopping. Often cosmetics and drugstore items are also stocked.

Variety stores, or five-and ten-cent stores, carry a wide selection of goods. These stores carry small, inexpensive items such as candy, toys, stationery, small household appliances and dishes. In the past, these stores have operated on a cash-only basis, but are now extending credit to their customers.

Mail-order houses allow customers to choose from a well-illustrated catalog. Many of the larger mail-order houses have retail outlets where customers can come to look at the catalogs, make their selections and have their order placed at a catalog order desk.

Single-line stores are often independently owned, small operations with a single line of goods sold. Such special services as free delivery, credit and telephone-ordering are provided to the customers.

Public markets are the oldest form of markets. They provide a cash-and-carry service to the local community. Generally independently owned markets like these are concerned with offering fresh fruits and/or vegetables or some type of handmade items. Very little advertising is done. Low prices are often appealing to the consumer. Few customer services are provided.

Discount houses are able to compete on the basis of price appeal. They offer a low markup, sell a single line of goods or a variety like that offered by a large department store. There is little concern with customer services.

Automatic vending machines that dispense candy, soft drinks, gum, cigarettes, toys and insurance policies are often found in motels, airports, offices and schools.

Direct-to-the-home sales representatives stock the merchandise in their homes or cars and solicit business from house to house. They may carry such items as educational reference books, clothing, housewares, cleaning equipment or jewelry.

Service Businesses

Today a large part of our labor force is engaged in selling an intangible product. These businesses are involved in doing a service for the customer: providing pleasure in renting a car, the comfort of overnight sleeping, the ease of doing laundry or the enjoyment of eating out at a restaurant. The tangible evidence of this type of business may be an airline ticket, a receipt for a night's motel lodging or a new hairdo for personal service. In today's affluent society there is increasing demand for the services provided like these that make up big business.

Cooperatives

A cooperative is a business enterprise that is organized by a group of people to serve their own needs. Most are probably organized to save money or to make money for those who belong to them. These same people are also the owners of the cooperative. Three kinds of cooperatives in marketing are: the consumer cooperative, the marketing cooperative and the retail cooperative.

Consumer cooperatives - Probably one of the most successful cooperatives in the country is the consumer cooperative. It provides an organized method to provide electricity, housing, frozen food lockers and farm supplies.

Marketing cooperatives - Marketing cooperatives provide an important service to the consumer. They provide fresh fruits, eggs, poultry, etc. to the consumer. They are operated by the growers who produce the same type of farm product.

Retail cooperatives - There are two types of retail cooperatives: the *retailer cooperative chain* and *wholesaler-sponsored* or *voluntary chain*.

The retailer cooperative chain is made up of a group of independent retailers who own a wholesale establishment that is called a *retailer cooperative warehouse*. Food and drug cooperatives often have this type of retail cooperative.

The wholesaler-sponsored, or voluntary, chain is organized by a wholesaler and made up of a number of independent retailers. Merchandise is bought as its members need it in exchange for specified services.

Probably the most beneficial return from this type of cooperative is the competitive edge that the independent retailers gain from it. This is a means of fighting competition that is effective against centrally-owned chains. By pooling purchases, group advertising and improved merchandising, these cooperatives can offer better buying arrangements.

Franchise Businesses

Franchising involves the individual owning a business but operating it as though it were a part of a large chain. Trademarks, design, equipment, standard parts and service are possible through franchising.

Through a market supplier, goods and services are distributed to a limited number of companies. A product or service or a complete line of products or services may be franchised. A fixed fee or a percentage of the sales or buying the franchisor's product establishes a margin of profit for the market supplier.

The small investor has less worry about a business failure because the company name or trademark provides an image already established. In addition, the owner may receive training and management assistance from the company.

There are more than 50 different classes of franchise businesses that vary from accounting to food service. Many different companies operate under one franchise agreement.

ECONOMICS OF MARKETING

ASSIGNMENT SHEET #8.01

Community Businesses

Identify at least one business in the community for each of the following:

Wholesalers:

A. Merchant
B. Limited Function
C. Middle Agents

Retailers:

A. General Store
B. Department Store
C. Specialty Store
D. Supermarket
E. Variety
F. Mail-order
G. Single-Line
H. Public Market
I. Discount House
J. Automatic Vending

Service Businesses:

A. Advertising
B. Insurance
C. Real Estate
D. Transportation
E. Lodging
F. Food
G. Personal and Business Services

Cooperatives and Franchise Businesses:

A. Cooperatives

1. Consumer
2. Marketing
3. Retail

B. Franchise Business

ECONOMICS OF MARKETING

LESSON PLAN #9

Time for Lesson: 55 minutes

Objectives: After completion of Lessons #9 and 10, students should be able to:

18.07 Describe the psychological needs which should be considered in promoting products and how products are subject to fashion change.

18.08 Interpret how decisions that consumers make affect the marketing system and how marketing research uses those consumer decisions.

Resources:

1. Information Sheet 9.01 - The Interdisciplinary Approach to Consumer Behavior
2. Assignment Sheet 9.01 - Questions on Human Behavior
3. Assignment Sheet 9.02 - Basic Needs Problem

Teacher Activities:

1. Hand out Information Sheet 9.01 - The Interdisciplinary Approach to Consumer Behavior and Assignment Sheet 9.01 - Questions on Human Behavior. Have students fill out the Assignment Sheet while they are reading.

2. When students are finished, go over reading with emphasis on the broad ecological base of marketing: how people make decisions, basic and learned motives and their place in the marketing system. Have examples of a basic need and its solution by marketing appeal. Call for examples from class.

3. Go over learned motives--emphasize fashion here and call for examples.

4. Hand out Assignment Sheet 9.02 - Basic Needs Problem to be done for homework.

Student Activities:

1. Read Information Sheet 9.01 - The Interdisciplinary Approach to Consumer Behavior and complete Assignment Sheet 9.01 - Questions on Human Behavior while you are reading.
2. Discuss the broad ecological base of marketing and learned motives.
3. Complete Assignment Sheet 9.02 - Basic Needs Problem and hand in at the next class meeting.

ECONOMICS OF MARKETING

INFORMATION SHEET #9.01

The Interdisciplinary Approach to Consumer Behavior

Roots of Human Behavior

Marketers in search for information about human behavior today depend heavily on the expertise of the behavioral scientist and on the interdisciplinary relationships involving physical sciences, engineering, mathematics, ecology. computer science and other bodies of knowledge.

The Behavioral Sciences

A good working knowledge of the marketing process requires an in-depth understanding of the behavioral sciences. Group behavior is explained by the sociologist and individual behavior is better explained by the psychologist. The techniques used by behavioral scientists differ from those used by physical scientists since controlled experiments in a manner similar to that used in the laboratory are not possible. A chemist can usually predict with a reasonably small amount of indeterminacy what will occur when two chemicals are mixed in a test tube, but since humans have a great deal of unpredictability, a marketer is never certain what will take place when a customer is mixed with a salesperson. There are too many variables which defy precise control and definition, but some guidelines can be found with a good understanding of psychology, sociology and other social sciences.

Combining the Sciences

Marketing draws ideas from the physical sciences in addition to obtaining information and techniques from the behavioral sciences. There has been a recent trend toward bridging the content area between the physical and the social sciences. For example, social physics is used to define physical needs (ie., hunger) in terms of chemistry, physics, physiology and biochemistry. Other specialties have been combined to form hybrid areas of psychological economics, social psychology and cultural anthropology.

In order to analyze and quantify data, marketing specialists utilize engineering computer science and mathematics. Computer application studies in combination with analysis by mathematics and statistics are also used to interpret human behavior. Population trends and income projections serve as examples.

The fact that marketing draws its content from many areas of knowledge is both a strength and a weakness. It is a strength since it draws heavily upon established knowledge within other disciplines. It is a weakness since this patchwork of information is difficult to mold into a uniform study of the marketing process.

The *ecological* approach is one attempt to draw together information from the interdisciplinary quilt work. The approach gets its name from the science called *ecology*, which is a study of how organisms (plants, animals, humans) interact with their external environment. Marketing is concerned very much with ecology. For example, numerous antipollution devices have been marketed to reduce air pollution caused by automobiles. Devices have also been invented and marketed to control water, air and noise pollution created as part of the manufacturing process. Manufacturers, marketers and consumers are concerned with maintaining the ecological balance of nature.

A Marketing System

A better understanding of marketing as a system can be obtained by studying the ecological approach to the behavioral sciences. Basically, a system is nothing more than a group of interacting parts. For example, an automobile is more than a bucket of bolts, a battery, a generator and tires. The sum of the parts combine to give a vehicle of transportation which has a definite purpose. Marketing, too, is more than the sum of its parts. It is both inaccurate and incomplete to say merely that marketing is people, jobs, advertising, stores, sales promotion, retailers, wholesalers, products, services, brokers, consumers, business people and on and on. These components combine to form a system which interacts to direct the flow of goods and services from producer to consumer. The emphasis is upon the people involved in marketing--the producers, the consumers and the middle agents.

Marketing may be compared to an act of navigation. Changes in economic conditions, legal and ethical considerations, competition and consumer buying preferences act as obstacles and boundary conditions which the marketing specialist must navigate in order to avoid pitfalls and be successful.

The surface of an obstacle can be misleading at times; an iceberg can suddenly appear when initially only a small piece of ice was visualized. If marketers are to navigate successfully in the river of commerce, it is necessary that they optimize fully their navigational skill and systematic research.

How Behavior is Motivated

At an early age the concept of possession is learned and remains important throughout life. Expression of possession is accomplished through the use of the word "mine." Just think

of the number of times you have thought or said the words "I want." These "wants" are satisfied with goods and services provided by the marketing process. To be a successful marketer you need to study human behavior to learn what motivates people to think and act the way they do. The behavior of people is influenced by needs and desires which become a *motive*. The desires, impulses and needs that drive a consumer to purchase a particular good from a specific business is known as a *buying motive*. Buying motives explain why customers buy what and where they do. *Buying habits* should be contrasted to buying motives; the former referring to when, how and where customers buy. Buying motives are subdivided further into patronage motives and product motives. The desires, needs and impulses that cause a consumer to purchase a particular product is defined as *product motives*. The motivation of customers to buy from a particular firm is known as *patronage motives*.

Psychologists say that human behavior is motivated. This implies that everything a person does has a reason behind it. The study of motives is complicated and also very interesting. An action is usually caused by a combination of motives since the human thought process is very complex and related to many experiences.

Consciously or subconsciously people view a selected action as one that will threaten them the least or reward them the most. Even if the actions of a person appear illogical to an observer, in fact the action is interpreted as being logical and may be the *only* action possible by the person.

Sometimes several alternative courses of action, each of which is rewarding, can be pursued. Larry may enjoy a movie, a party or a basketball game but he is faced with a decision and can choose only one activity. He will consider which course of action will be most rewarding and make his decision accordingly. If one assumes that Larry enjoys all three activities, party, movies or basketball game equally, it would be difficult to predict which alternative he might choose. His choice would depend on his immediate mood and given different circumstances he might choose a different course of action. Human behavior is always difficult to predict. The problem is to identify the alternative that will be viewed as most rewarding at a given moment in time.

Behavior that is based upon selecting the least threatening course of action can be illustrated by the following example: Mary has been told that she must either leave a party early so that she can complete her homework before going to bed, or do her homework before going to the party. The homework is a threat since she would like to spend her time before the party getting ready and then stay as long as possible. Mary must decide what is most attractive and make the appropriate decision even though neither decision is ideal.

Basic and Learned Motives

It is necessary to understand the motives that influence human behavior in order to market goods and services successfully. It is also necessary to motivate people to buy the goods and services that you have for sale. You have to decide whether to appeal to reward or to threat. You would like to identify the appeals that will help you to market the most services and goods.

The identification of appeals that are *basic* have been attempted by psychologists. Many different lists of basic appeals have been presented by different psychologists. Although the wording and detail of the lists vary, the motives and needs identified as basic usually include the following:

1. security
2. health
3. food and drink
4. social approval
5. welfare of loved ones
6. sex and companionship
7. superiority
8. comfort
9. variety of adventure

The basic motives or needs are considered to have existed at the time of birth and all people have them in common. As individuals mature, *learned* or secondary wants are acquired. The list of learned wants varies, but usually includes the following:

1. style, beauty
2. efficiency
3. bargains
4. convenience
5. dependability
6. cleanliness
7. curiosity
8. quality of construction
9. information, education

During the 1920's, lists of basic and learned wants were very popular. *Instincts* were identified by psychologists at that time. Instincts were believed to be set from the time of birth and, therefore, thought to be natural tendencies, independent of training or experience. Whenever a certain stimulus was present, an instinctive drive would follow. Business people reviewed the lists and selected the instinct or motive they believed to be the strongest. They appealed to that instinct in their sales promotion and advertising.

Psychology became more refined during the 1930's. Both psychologists and business people learned that it is not wise to follow such lists blindly, even though the lists were still popular.

During the 1940's, through the 1970's, psychological knowledge expanded greatly. Lists of motives are viewed as merely guidelines now. Rather than adopting a "cookbook" method of following a list, today business people attempt to understand the total psychological makeup of people. Marketers realize that people have basic needs for food, drink, social approval, comfort, etc., although in specific situations the identification of basic needs or motives helps little. For instance, food is necessary to all people, but if you are trying to market a specific food product you need more information to make your marketing appeal most effective. Since few people in our society are physically deprived of food, the marketer of food products appeals to psychological as well as physical hungers. For example, a meal in a nice restaurant satisfies not only physical hunger, but also might include a romantic atmosphere or a desire for social approval.

There is some value in using these lists prepared by scholars of human behavior as long as the lists of basic and learned motives are viewed as guidelines. The exact wording of the basic motives is not crucially important since the lists serve their greatest utility by providing insight into the roots of human behavior.

Buying Habits

To market effectively, it is required that you know more than just why consumers buy particular products from particular firms. In addition, you must also understand when, how and where consumers make their purchases. Is there an established pattern of behavior? Do they have any established buying habits when they buy a relatively expensive item, such as an automobile? Do consumers have behavior patterns that are established? For example, do they tend to shop for groceries near their residences or are they willing to travel some distance for better service or lower prices? When people look for a specific part for a specific brand of lawn mower, does their buying pattern change? Does their consumer behavior vary when they are buying a package of chewing gum as contrasted to when they are buying a pizza?

A threefold classification of consumer goods based on buying habits was developed by Professor M. T. Copeland many years ago. This classification includes the following categories of consumer goods: specialty goods, shopping goods and convenience goods. Consider the fact that people do not "shop around" for convenience items such as newspapers, toothpaste and other common everyday products. However, they might shop around for goods such as wearing apparel. Specialized products call for a different type of buying behavior since consumers will go considerably out of their way when purchasing a specialty good. When developing your marketing strategy these buying habits must be considered carefully. Consider, for instance, the importance of store location

based on the different type of goods handled by the business firm. For example, in order for a variety store to be successful it should be located where many people pass by in the course of their other activities. But an automobile dealership which sells Porsche cars could be located remotely from a centralized area.

ECONOMICS OF MARKETING

ASSIGNMENT SHEET #9.01

Questions on Human Behavior

1. What is meant by the *interdisciplinary approach* to consumer behavior?

2. How does a knowledge of the behavioral sciences contribute to an understanding of marketing?

3. How does a knowledge of the physical sciences, mathematics, engineering and computer science contribute to an understanding of marketing?

4. What is meant by the *ecological approach* to the study of marketing?

5. What is a marketing system?

6. Why is it difficult to predict human behavior?

7. How does the person performing an act view the logic of his or her behavior?

8. What are the motives most frequently identified by psychologists as being:

   a. basic?
   b. learned or secondary?

9. When were lists of motives most popular? How are such lists regarded by business people today?

10. How do buying habits relate to the following classification of goods:

    a. convenience goods
    b. shopping goods
    c. specialty goods

ECONOMICS OF MARKETING

ASSIGNMENT SHEET #9.02

Basic Needs Problem

Have students pick three consumer products that are advertised heavily on today's market. Have them list the basic needs that these products are appealing to and the learned wants. Students must justify their answers on paper.

ECONOMICS OF MARKETING

LESSON PLAN #10

Time for Lesson: 55 minutes

Objectives: After completion of this lesson, students should be able to:

18.07 Describe the psychological needs which should be considered in promoting products and how products are subject to fashion change.

18.08 Interpret how decisions that consumers make affect the marketing system and how marketing research uses those consumer decisions.

Resources:

1. Information Sheet 10.01 - Psychological Guidelines and Their Application
2. Assignment Sheet 10.01 - Questions on Psychological Guidelines
3. Assignment Sheet 10.02 - Application of Guidelines

Teacher Activities:

1. Point out how fashion is learned behavior and how promoters appeal to that and work in basic needs at the same time--example is Chrysler Cordoba advertisement.

2. Hand out Information Sheet 10.01 - Psychological Guidelines and Their Application and Assignment Sheet 10.01 - Questions on Psychological Guidelines to be done while reading.

3. Go over Assignment Sheet 10.01 with emphasis on principles. Have students give as many examples as they can think of to make sure they understand each psychological guideline.

4. Give Assignment Sheet 10.02 - Application of Guidelines for homework.

Student Activities:

1. Participate in class discussion.
2. Read Information Sheet 10.01 - Psychological Guidelines and Their Application and discuss the key points if they are not clear.
3. Complete Assignment Sheets 10.01 - Questions of Psychological Guidelines and 10.02 - Application of Guidelines.

ECONOMICS OF MARKETING

INFORMATION SHEET #10.01

Psychological Guidelines and Their Application

If you learn the basic principles of psychology that are described in this section, you will be able to apply them to your daily life. You will use the knowledge you learn about human motivation almost without realizing you have done so.

Reward versus Threat

Reward is a much better motivator than threat as a rule. People would much rather be flattered than threatened. There have been a number of studies done that indicate people are more likely to forget those negative appeals than those that flatter their egos.

Have you ever seen an advertisment that used threats in an indirect way? Those appeals to life insurance, snow tires, seat belts, and exercise bicycles often mention fear of danger that is lessened if the consumer buys the product.

When the negative approaches to marketing and advertising are compared to the positive approaches, there is quite a contrast. The positive approach generates ten times as many sales as does negative advertising.

When life insurance was sold back in the 1920's and 30's, the advertising appealed to the negative aspects to get the consumer's attention. For example, a widow with many small children might be shown with the caption, "What will they do when you are gone?" This would arouse all kinds of negative images in the father's mind about his family facing life after his death. Perhaps this would persuade him to buy life insurance, to avoid the unpleasant scene that had been depicted.

The Principle of Frequency

The *principle of frequency* emphasizes the fact that the more practice one gets, the more learning is strengthened. Psychologists believe that learning is gradual; therefore, the emphasis here is on repetition.

Psychologists have another theory that learning occurs through *insight*. Have you ever had flashes where it seemed that you could see through a problem all at once? This type of learning seems to happen very suddenly--not through practice. The way that practice seems to help here is by providing the situations that will help persons gain insight into the problem.

To you, as a marketer, this would mean that a good sales promotion or slogan should be repeated as often as possible. You would want customers to think of your brand name instinctively. For example, Gerber Products Company hopes you will automatically think of their slogan, "Babies are our business . . . our *only* business." Although Gerber has now branched out to making other products, people still identify with their old slogan.

In review, a positive approach is much more effective than a negative one. The positive advertising may be repeated often, and as the principle of frequency suggests, helps you to associate the brand name instinctively with the product. Negative advertising becomes more abrasive, more and more aggravating, as it is repeated. Can you remember advertising of this kind that you have heard?

The Principle of Association

The principle of association is important to marketers. Creating an idea in the mind produces other related ideas. The phenomenon of association occurs during the thinking process. As a new item is brought before us, it is associated in our minds with something we have known about previously. Some events are associated with their effects. Sometimes events may cause us to recall pleasure or pain.

The different chains of associations that individuals have may vary greatly. The marketer must be careful to avoid any type of stimulus that would lead to an objectionable association. Such words as *stout, substitute* and *cheap* probably shouldn't be used in the vocabulary of the marketer. It's better to emphasize the pleasant, constructive associations that bring pictures of beauty and pleasure. The marketer should emphasize the pleasure that results from using the ointment, rather than the pain that occurred before it was applied to the sunburn.

The marketer tries to paint a pretty picture for the public. The public associates a car with luxury when they see a car in front of an attractive, expensive home.

The Principle of Imitation

Imitation is a principle that you should become very familiar with. It happens all around us. People have a tendency to follow the crowd. If there is a crowded store, it seems to attract even more people. New fashions develop when the public accepts them. A new design may not be patented, so often it is common to copy the original design. The copy may be purchased at a much lower price than the original one the designer created.

Often a famous movie star or a football or baseball player will endorse a consumer product. This may lead to very heavy sales to the public. Products that are sold by using this type of appeal are almost limitless.

The Principle of Suggestion

Sometimes ideas are suggested and enter the mind almost unconsciously. The indirect method of suggestion can take many different forms that appeal to a person's feelings and imagination rather than intellect.

This can be seen in marketing when a point-of-purchase display is used in a retail store. Studies have shown that impulse buying increases greatly by such displays. Many consumer goods that are commonplace today are the result of suggestion selling such as we have described.

Often selling is done forcefully enough that it is sufficiently appealing. Without any conscious deliberation by the potential customer, the selling statement is accepted.

Often the ideas that are planted in the mind by suggestion find their way to appropriate action, unless there is some conflicting idea that comes to mind. Sometimes subtle suggestion works best because persons react without deliberation or opposition as they would to argumentative suggestions. A subtle suggestion can be very good at influencing a person to act. For example, a person standing in the middle of a crowd looking up at the sky may influence others to look up, too.

Under the influence of point-of-purchase displays and other types of displays, the customer frequently purchases luxury goods, convenience goods, and low-priced goods. The goods have been promoted with a subtle suggestion that appeals to the customer's emotions so that the customer reacts with a minimum of deliberation.

The Principle of Set

Many marketers develop a theme or pattern in their sales promotion. It attempts to combine the benefits of frequency together with the advantages of the positive approach. In advertising cereals, for example, a carton character is a part of the advertising that appeals directly to the children. This type of promotion creates a pleasant image in the child's mind.

Set refers to the psychological attitude the person has at the time that the product is introduced. The person may be "set" or may be caught off guard. Newscasters often fit their advertising into the news program so that the natural flow is more effective. Advertising may be done in a light vein, or appear as a commercial at the climax of a TV program. The viewers may not be giving full attention to commercials that interrupt the drama they have been watching.

A magazine advertisement may feature a luscious, high-calorie dessert that appeals to the viewer. On the opposite page may be an article on food preparation. Here the advertiser has taken

advantage of the "set" of the reader. If the advertisement had placed an article about dieting next to the high-calorie dessert, it would have gone against the principle of set.

The Principles of Primacy and Recency

If you are ever asked to repeat a series of digits such as 7, 4, 3, 1, 6, 8, 1, 0, the first and the last digits are more easily remembered than the middle ones. The laws of primacy and recency say that the earliest and the latest items in a series are learned more easily than others.

To the marketer, advertising would probably be placed within the magazine or newspaper in the first few pages or in the closing sections. Studies have been done showing that people recall the advertisements in the first or last part of a magazine or newspaper twice as easily as the middle sections. Many advertisers pay more for this prime space in magazines because it is so much more effective.

The Law of Interest

The law of interest has been called the "law of laws." It is based on the principle that little learning takes place if the person isn't interested.

The interest of potential customers must be used as much as possible. Get customers to "see themselves" using the product. This is probably the cornerstone of all other laws. If the interest isn't there the entire structure may collapse.

Variation of the Appeal

The way an advertisement is written or presented should vary with the particular persons or references that will be your customers. You may consider the sex, age, occupation, economic and social positions of your potential customers. With one group the main appeal may be durability, price, or comfort. To another group the main emphasis may be on style. Engineers may have special interest in the construction, safety features and strength of an automobile. An artist may be more interested in its appearance. The free trials and demonstrations, special terms, or special sales may be appealing to persons who are more budget conscious.

Advertisements that are directed toward farmers often contain the seller's picture to add a more personal touch. Often the selling is done in the first person, or testimonials are used. Rural customers are believed to read advertisements more carefully than city dwellers. Material that is sent in the mail may be more

carefully read, especially in areas where there is no daily paper. Ads may be written in a personalized way in mimeographed form by individuals who develop their own form of communication with the farmer.

Advertising to children is done in a language and with the characters that appeal to the child's point of view. Boxes of cereal present illustrations and characters that will attract the attention of the child. Other techniques may include packages that offer pictures to be collected in a series, or premiums or toys in the bottom of the package. The brand may not even be important to the buyer, but the attractiveness of the package may have strong appeal.

Intellectual Appeal

Impulse buying occurs often when the article is less expensive. Generally, the more expensive items are purchased after logical reasoning on the part of the customer before the item is actually purchased.

When the item is expensive, the purchases are generally made with a lot of consideration and forethought by the buyer. This holds true regardless of whether buying for a large industry or an individual buying a home television set.

Setting Forth the Appeal

Once you decide the appropriate appeal, you may decide how to present that appeal. *Suggestion* or *human-interest* approaches appeal to a customer's interests or emotions. *Reason-why* or *argumentative* approaches appeal to the customer's reason or intellect.

When customers consider buying a washing machine for the house, they are not just buying the metal, motor and dials. The appeal to them will be in terms of what that appliance can do for them--relief from drudgery, assurance of convenient laundering, and leisure time to do other things.

Group Appeals

In mass media where you are advertising to a large audience, it is still possible to be selective in your approach. If you want to appeal to specialized audiences, such as doctors or accountants, you may consider advertising in the appropriate trade or association journal. By doing this, you have a captive audience of that particular group. The news stories or current events may be the same in the edition of the magazine for business executives, as for engineers. But the advertising may be made specific to the particular group that you are appealing to.

Advertising Campaign Strategy

Before a single campaign is launched, an intensive study, research and evaluation are conducted. Creative advertising campaigns do not happen by accident. The basic steps are as follows:

Step 1 is to compile all pertinent information, then research the facts and analyze every aspect of the product and its potential market. When completed, the report, called a *Fact Book*, is compiled. The size of the fact book varies depending on the product and its potential market. A summary sheet of facts designed for easy reference is found in every Fact Book.

The key facts necessary for the campaign must be identified and analyzed. Then, in *Step 2*, a written summary of the analysis is prepared which should contain the problems, strengths and marketing opportunities of the market.

Step 3 involves the preparation of a *Marketing Strategy Statement* which is a document listing the specific objections of the campaign and outlines the stages needed to reach the objection. Before the actual preparation of the advertisement begins, a marketing strategy board reviews, criticizes and edits the strategy statement in *Step 4*.

In *Step 5*, assignments are given to each person involved in the campaign. In addition, a responsible person has to be certain that every aspect of the campaign remains on target to follow through.

In *Step 6*, a review board thoroughly examines the preliminary work, and if they are satisfied the complete plan is organized and assembled for a final review presentation. The last remaining steps are then completed if the plans meet the final approval of the client.

ECONOMICS OF MARKETING

ASSIGNMENT SHEET #10.01

Questions on Psychological Guidelines

1. What do studies reveal about the relative effectiveness of appeals to reward versus appeals to threat?

2. Do people tend to remember pleasant experiences more readily than unpleasant events? Why?

3. What is meant by the principle of frequency? principle of association? principle of imitation? principle of suggestion? learning through insight? law of primacy? law of recency?

4. What is meant by "customer set"? Give examples.

5. What law is the "law of laws" or the "cornerstone law"? Why is it so labeled?

6. What is required to become expert in selecting the most effective appeal to arouse customer interest?

7. What are some considerations to keep in mind when preparing appeals and marketing strategy designed to influence children?

8. Of what significance are brand names in the purchase of breakfast cereals?

9. Contrast the relative effectiveness of argumentative approaches with suggestion.

10. What is a *Fact Book*? a *Marketing Strategy Statement*?

ECONOMICS OF MARKETING

ASSIGNMENT SHEET #10.02

Application of Guidelines

1. Think of at least two promotions for each of the psychological guidelines. Explain why you choose each.

2. What psychological guidelines does the fashion industry use to promote its products? the car industry? the movie industry? Explain your answers.

3. Think of a relatively new product that has come on the market. Try to trace the steps the company has used to sell that product and develop a campaign strategy. Explain your answer.

ECONOMICS OF MARKETING

LESSON PLAN #11

Time for Lesson: 55 minutes

Objective: Upon completion of this unit the students will be able to describe the sequence of how goods and services get from the producer to the consumer in their chosen occupations.

Resources:

1. Post-assessment
2. Post-assessment Key

Teacher Activity: Distribute Post-assessment to students and allow students to complete.

Student Activity: Answer all questions of Post-assessment.

ECONOMICS OF MARKETING

POST-ASSESSMENT

DIRECTIONS: Place the letter of the best answer in the blank provided at the left.

____ 1. These stores specialize in only one class of goods within a line.

a. Variety stores
b. General stores
c. Department stores
d. Specialty stores

____ 2. These stores have many specialty shops operating under one roof.

a. Variety stores
b. Single-line stores
c. General stores
d. Department stores

____ 3. These stores stock a wide variety of household items, small appliances, hardware, stationery, notions, candy, and toys in the low-price range.

a. General stores
b. Single-line stores
c. Department stores
d. Variety stores

____ 4. These stores carry a limited selection of a wide variety of merchandise and are generally found in rural areas.

a. General stores
b. Single-line stores
c. Department stores
d. Discount houses

____ 5. These wholesalers include truck distributors, drop shippers, cash-and-carry wholesalers.

a. Selling agents
b. Middle agents
c. Merchant
d. Limited function

____ 6. The customer buys these types of goods frequently and without much attempt to shop around.

a. Specialty goods
b. Convenience goods
c. Shopping goods
d. Consumer goods

____ 7. The customer buys these goods less frequently and checks several sources to compare suitability.

a. Shopping goods
b. Convenience goods
c. Specialty goods
d. Consumer goods

____ 8. This marketing activity involves persuading and assisting prospective buyers to purchase merchandise and services.

a. Buying
b. Storing
c. Selling
d. Financing

____ 9. This marketing activity involves sorting products into a number of classes or grades so that merchandise can be accurately described and catalogued.

a. Storing
b. Collecting
c. Transporting
d. Standardizing and grading

____10. This value added by marketing makes the goods available where wanted.

a. Transporting utility
b. Place utility
c. Storing utility
d. Time utility

____11. This process involves simple buying or selling.

a. Risk-bearing
b. Collecting
c. Marketing
d. Financing

____12. The idea that a good promotion or slogan should be repeated over and over is based on the principle of:

a. Suggestion
b. Imitation
c. Frequency
d. Set

____13. All are learned motives except:

a. Sex and companionship
b. Desire for recognition
c. Cleanliness
d. Dependability

____14. All are examples of basic motives except:

a. Security
b. Comfort
c. Education
d. Health

____15. All are factors that industrial buyers consider except:

a. Price
b. Who owns the selling company
c. Quality of the products
d. Service of the selling company

____16. A distributor performs all the functions except:

a. Sells goods directly to the consumer
b. Handles industrial goods between the producer and the retailer
c. Provides hard-to-find equipment and supplies, thus saving time and effort of the industrial buyer
d. Offer buyers quick delivery service

____17. The concept of market segmentation suggests that even within groups you can be selective in your approach. This is the main idea of:

a. Intellectual appeal
b. Variation of appeal
c. Group appeal
d. Setting forth your appeals

____18. The motivation of customers to buy from one particular firm is known as:

a. Buying motives
b. Buying habits
c. Patronage motives
d. Product motives

____19. In industrial goods the number of buyers and the size of the purchases generally are:

a. About the same as the consumer market
b. Much larger than the consumer market
c. Number of buyers is larger but the size of purchases is smaller
d. The number of buyers is smaller but the size of the purchases is larger than the consumer market.

ECONOMICS OF MARKETING

POST-ASSESSMENT KEY

1. d
2. d
3. d
4. a
5. d
6. b
7. a
8. c
9. d
10. b
11. c
12. c
13. a
14. c
15. b
16. a
17. c
18. c
19. d

ECONOMICS OF MARKETING

LESSON PLAN #12

Time for Lesson: 55 minutes

Objective: Upon completion of this unit the students will be able to describe the sequence of how goods and services get from the producer to the consumer in their chosen occupations.

Resource: Unit Evaluation

Teacher Activities:

1. Livide students into groups of four.
2. Hand out Unit Evaluation to students.
3. Be prepared to answer questions about the Unit Evaluation activities.

Student Activity: Develop campaigns and present to class.

ECONOMICS OF MARKETING

UNIT EVALUATION

Purpose: To give the students an opportunity to demonstrate their ability to develop a marketing function and carry out a marketing campaign.

Specifications:

1. Students will be divided into groups of four. The group must (1) develop a product, (2) identify the market functions, (3) define what their marketing concept will be, (4) show the market segments to which they are appealing, and (5) classify what stores they are going to use, what channels of distribution they will use, and what marketing strategy they will use based on the psychological needs of the consumers to whom they are selling.

2. Participants will present their campaigns to the class in the form of a five-step marketing strategy covering the guidelines in Step 1.

Grading: The students will present the material to the class and be graded on how well they developed their marketing strategy and covered the specifications in #1.